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SUPPLEMENT

COUNTRY China

SUBJECT Economic Information: Reorganization of South-
west Aviation Company's document is hereby registered
in accordance with the

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ORIGIN

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CONFIDENTIAL in accordance with the
letter of 18 October 1965 from the
Director of Central Intelligence to the
Archivist of the United States.

1. The Southwest Aviation Company 西南航空公司 was in existence as a joint Kwangtung-Kwangsi Provincial Government enterprise in the early 1930's, having been founded by the war lord, CHEN Chi-tang 陳濟棠. At that time CHEN had an airforce of some seventy odd planes, three of which were utilized by the company in operating an airline between Canton, Hongkong, and Kweilin. When CHEN's airforce deserted his ranks in 1936 and flew to Nanchang, the company was forced to suspend its activities.
2. During the past two months there has been a great deal of activity and the carrying out of many plans for the reorganization and reopening of the Southwest Aviation Company. It is being sponsored by the Kwangtung Provincial Governor, LO Cho-ying 羅卓英, who has secured the cooperation of the Kwangsi Provincial Governor, HUANG Hsu-ch'u 黃旭初, to operate airlines between Kwangtung and Kwangsi provinces. This company is said to be planning to monopolize all passenger and freight air services between the two provinces, and in time intends to extend its activities throughout other parts of China.
3. The authorized capital of the company is alleged to be CN \$480 million, of which \$200 million is to be subscribed or loaned by the Kwangtung Provincial Bank and the balance of \$280 million to be shared by the Kwangtung and Kwangsi Provincial Governments in the ratio of two to one. The Hsiang Pao (Commercial Daily) reported on 1 October that the Kwangtung Industrial Corporation had invested CN\$100 million into the Southwest Aviation Company.
/The Hsiang Pao should possibly read Shang Pao./
4. LAN Sun 藍遜, LO Cho-ying's brother-in-law, has been named the company's general manager. He was appointed by LO, immediately after the Japanese surrender, to assume the management of the Kwangtung Industrial Corporation, a powerful Provincial Government enterprise having control of many factories and various monopolies.
5. The Canton newspaper Chien Kuo Jih Pao, dated 3 October, reported that HSIAO Hsi-ming 蕭聖明, director of the company's preparatory office and member of the board of directors, has returned from his trip to Nanking where he secured the approval of the Central Government for the reorganization of the company. Thirty-two twin-engined planes, presently in Formosa, are said to have been secured from the Central Government for the company's use. An official is reported to have been sent to Formosa to obtain the planes. The company also plans to purchase twenty additional planes from sources in Shanghai. The local press

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reports that the first airlines to be established will be one from Canton to Kweilin and another from Canton-Meih sien-Foochow-Formosa.

6. The company has a Board of Directors of six members, three of whom have full-time work with the company while the other three meet only when called. The names and brief biographies of the members follow:

a. LAN Sun 藍遜, General Manager of the Southwest Aviation Company is a trusted member of LO Cho-ying's inner circle, having served together with Governor LO for many years in various positions, among which were posts as Director of the Supply Office of the Expeditionary Force and Director of the Chinese Youth Army Headquarters. Immediately after the Japanese surrender he was called from Shanghai to Canton by Governor LO to take over the management of the Kwangtung Industrial Corporation. LAN is a native of Tapu (116-42, 24-29), East Wivor territory, and is a loyal disciple of CHEN Chang 陳城 as well as of LO Cho-ying. His wife is LO's younger sister. Early in September LAN was elected Managing Director of the Canton Chamber of Commerce.

b. HSIAO Hsi-ming 蕭盟明 is another one of LO's men and is said to be slated for the general managership of the company. He has been acting as director of the company's preparatory office.

c. LI Fan-chung 李漢冲 is chief of the General Staff Department of the President's Canton Headquarters. He formerly was a secret service work leader in Kwangsi in Japanese occupied areas where he was at one time captured by the Japanese but later released. He is an ardent follower of General CHANG Fa-kuei.

d. HSIEH Wen-lung is presently Chief of the Reconstruction Department, Kwangtung Provincial Government. Formerly he was chief of the Southwest highway transport system in Kweiyang and is one of the experts on transportation. He is an able and shrewd man and attended Pennsylvania State College.

e. KUANG Fan-k'un 孔繁坤 during the latter years of the war held a minor post in the Kwangsi Provincial Government and recently became Secretary of the Reconstruction Department, Kwangsi. He simultaneously has dealt in various money-making schemes in semi-government business and is reported to have holdings in properties and investments amounting to CNK 280 million.

f. KAN Tsung-hua 關宗驊 has been the longtime and is the present head of the Kwangsi Reconstruction Department. Formerly he was in the Kwangtung Chinese Navy with Admiral CHEN Chak. He is HUANG Hsu-ch'u's nominee. (Source comment: Although the company has been organized and the go-ahead signal has been received from Nanking, it undoubtedly will be unable to begin actual operations much before the beginning of next year.)

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